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## Book Review

### Dølvik, Jon Erik, Tone Fløtten, Jon M. Hippe & Bård Jordfald (2014): “The Nordic Model Towards 2030. A New Chapter?” Fafo-rapport 2014:16.<sup>1</sup>

*Reviewed by Pekka Kosonen, Phd, University lecturer, docent, University of Helsinki, Finland*

The Nordic model seems to be a familiar and well-defined concept today, yet we can find diverse interpretations of this famous model. For many, it refers to some kind of normative and idealized picture of a good society, uniting economic efficiency and social equity in the best possible way. For some scholars and politicians, it is rather an analytical tool to summarize the common characteristics of the economic, social, and political developments in five countries in the North of Europe. And for some researchers, it is difficult to find only a single Nordic model, and therefore they prefer to use the plural, that is, five different Nordic models, which however share some basic commonalities. Needless to say, all standpoints can be defended, and it depends on the type of approach in question which alternative is chosen. In the present, more analytical context, the common characteristics of the model are emphasized, although also differences between the Nordic countries are taken into account in many connections.

The NordMod2030 publication, entitled “The Nordic model towards 2030. A new Chapter?”, is based on the work of a Nordic research project that has highlighted how national and international developments have affected the Nordic countries, how the challenges have been met, and what is to be expected in the future. In particular, the project is closely connected with the labor movement, and in addition to the analysis, the report identifies main challenges to the Nordic labor movement. In this review, the emphasis will be on the more analytical part of the publication. The publication is the project’s final report, summarizing the results and insights from the 17 subreports of the so-called NordMod project. These subreports, including many reports in English, are also interesting to read.

Since “NordMod2030” tries to identify the evolution, current difficulties, and future challenges of the Nordic model as a whole, issues relating to the working life are not alone at the center of the analysis. However, these issues form one of the three basic pillars of the model, as understood in the research project, and are connected to the other pillars in a systematic way. Thus, we find macro-economic governance, organized working life, and extensive welfare systems as the three basic pillars of the Nordic model. Strong institutions have laid the basis for coordination between different policy fields in which cooperation between the social partners and political authorities has played a central role. Moreover, crises and conflicts in working life and politics have often been tackled through broad compromise. This is what the authors call “conflict partnership,”

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<sup>1</sup> Published in Norwegian as “Den nordiske modellen mot 2030. Et nytt kapittel?”



giving as a key to understanding the historical evolution of the Nordic model. From this perspective we should estimate how these five countries have managed to adapt to external changes and crisis, and how they have been able to invest in long-term human resources development and social security. According to the authors, they have managed to reconcile efficiency and equity to a greater extent than other European countries. The three pillars or cornerstones of the model form, in turn, the analytical background from which to study the developments, challenges, and crises of the five countries, in particular in 1990 to 2014 and in the future.

On the basis of this framework follow the questions, which are perhaps not quite clearly formulated in the publication but are anyway dealt with: has this triangle model survived through various crises, and will it survive in the future—and in which form?

The main part of the report consists of what the authors name as a status analysis, summarizing developments in 1990 to 2014 under the topic “Crises, consolidation and renewal.” However, this is actually not a proper crises analysis, since even if many problems and crises are outlined, the responses to the new problems rather than explanations of the crisis form the focus of the study. Therefore, financial globalization and deregulation of financial markets also in the Nordic countries is recognized, but the roots of the Nordic banking crises and housing crashes, or the importance of the global financial crisis since 2007/08 remain quite open. True, the Nordic countries managed to cope with the large external and internal challenges after the banking crises and structural problems after 1990, and the records have been fine, but as the report admits, a number of unresolved issues can be detected. One could wait that these issues are somehow related to the changed position of these small countries, and indeed all nation-states, in a world of increasing globalization and the influence of all-encompassing global financialization.

Changes in employment and labor markets are for understandable reasons largely analyzed in the NordMod report. The Nordic employment rates are still quite high, but unemployment has entrenched itself at a high level in Finland and Sweden. What however seems to be more alarming to the authors are the signs of new dividing lines in the labor markets, that is, pressure on the lowest wages and growing wage dispersion inequality, and increased exclusion in parts of the labor market. This seems to be tightly connected, at least from a Norwegian perspective, to high labor migration after EU enlargement in 2004 (from the post-socialist member states to the Nordics, and to a great extent to Norway), which has intensified competition for the lowest paid jobs and made it harder for groups with low skills or work experience to gain a foothold in the labor market. These tendencies, in turn, pose new kinds of challenges to the labor movement, and thereby to the authors of the report.

Another unresolved issue related to the labor markets deals with collective action problems among the social partners due to the decreasing rate of unionization and weakening importance of collective agreements in many sectors. The share of organized wage earners has fallen since the 1990s, especially among employees in low-wage occupations. Again, one of the reasons for this decrease can be found in greater low-wage competition across borders. Other reasons include the rising share of employment accounted for by private services and growing outsourcing, short-term, atypical work. From these follows a tendency toward evasion and hollowing out of agreements in particular sectors. In addition, one could think that in a situation in which capital is free to move (mainly) outward from the Nordic countries while labor is free to move (mainly) toward these countries, the bargaining power of capital tends to strengthen

vis-à-vis labor, influencing not only negotiations on wages and work conditions but other macroeconomic and social issues as well.

For many foreigners, the Nordic model is associated with the specific type of welfare state developed in these countries. The growth and background forces behind the welfare state are not the topic of the report, which concentrates on the period from 1990 onward. Thus, more recent reforms (referring to savings measures or marketization) are described, but these are seen as a necessary accommodation to the external and internal challenges rather than as a threat to the entire welfare model. A more critical evaluation is related to public services that have been (and still are) among the most advanced and comprehensive in the world. Since rising expectations now face scarcer resources, significant efforts to improve, renew, and streamline services have already been made. However, it is admitted that within core welfare state services—schools, health, and elderly care—the results of the reforms have been inconsistent. In particular, marketization of welfare services has not unambiguously given quality and efficiency gains, and as a side effect, the competition between commercial and non-profit actors has sharpened. Now, this public sector reform must be related to the major challenges, especially to the ageing of populations and new demand for services. These are of course important issues to be discussed. However, one could ask why the financial basis of the Nordic welfare state is not studied more extensively, taking into account for example the changing position of these countries in the global competition and the general trend toward lowering the tax rates for both capital and labor: these developments may indeed challenge the basic presuppositions of the high-cost and comprehensive Nordic welfare systems.

Instead, the global aspect is discussed in the context of the increase of immigration and the demographic changes in the Nordic countries. As noticed, the share of immigrants has increased from 3% to around 13% from 1990 to 2014 in the whole area, although we can find big variation between the countries. There have also been various strategies to integrate immigrants to society. Even if immigration and the increase of work force can be seen as a benefit to the Nordic countries, there are also risks and problems involved. One consequence may be a weakening of the system of wage setting and decreasing productivity, and therefore a risk for exclusion of weak groups from the labor markets. Thus, the report seems to be rather ambivalent concerning the effects of increasing immigration.

In the end of the NordMod publication, six challenges or tasks are named, as a response to the question posed by the background organizations in the labor movement. These are: to create, to work, to organize, to share, to care, and to mobilize. These are meant to raise comments inside the background organizations of the project, but shall not be discussed here further.

However, the report looks ahead to 2030 also in more general terms. In the first place, the inevitability of greater inequality is not accepted. According to the authors, low inequality has been both a result of and a prerequisite for the Nordic countries' capacity to adapt, and hence cannot be given up without consequences for trust, wage setting, and other elements of the model's effective functioning. On the other hand, everything cannot continue as during the earlier periods (chapters of the model), because the basic pillars or cornerstones already have weakened and are likely to weaken further, so that a strong political commitment to maintain the most important elements of the model is needed in the future. Only then are we able to write a new chapter, instead of an epilogue, to the Nordic story.



The method in assessing the way(s) to 2030 raises some questions. Three possible developments are distinguished: the continuation of the earlier trends, the best alternative called “Nordic High” (i.e., the trend of the “best” country in the other four), and the worst alternative called “Nordic Low” (i.e., the trend of the “worst” country in the other countries). These differ from each other quite remarkably. This finding leads us back to the question of the Nordic model vs. various models, which is not discussed by the authors, but which in fact is a relevant one. In other words, on the basis of these differing trends one could also conclude that it may be difficult to speak about the future of a single Nordic model, and that it is possible to see Nordic countries with lower and higher employment rates, differing rates of labor market organization, and different routes of inequalities. Is there a common Nordic political will to harmonize these developments, or is it possible that toward 2030 the inter-Nordic diversity is continuing to widen? True, many challenges are common, and a renewal of economies, labor markets, and welfare systems is a necessity in all countries, but is it possible that the responses prove to become quite different?

The NordMod2030 report is interesting and important, and the debate on these issues will hopefully continue. The project’s final report should not be omitted in analytical studies and discussions on the current status and the future of the Nordic model.